

Congratulations to Kyle and Jill Jacobs on the birth of their daughter, Sierra Rose, on Saturday. I hope that they are able to get some sleep.

□ 1215

WORKING TOWARD A BETTER BANKING SYSTEM

The SPEAKER pro tempore. The Chair recognizes the gentleman from California (Mr. SHERMAN) for 5 minutes.

Mr. SHERMAN. Mr. Speaker, we seem to have escaped the critical stage of this bank meltdown. We have not escaped without cost.

The FDIC announced today that they—and this is a vague estimate—will have to spend \$20 billion with regard to Silicon Valley Bank. That money will then be collected by fees that are on banks—basically, on depositors—in coming years.

More importantly, our economy has faced a huge shock. Business loans that would have been made were not made in the last month and probably will not be made in months to come.

The only silver lining there is the Fed was looking to slow down the economy, but this is one hell of a way to do it.

We have a fundamentally undemocratic system for regulating banks.

First, for the regional banks, the district Reserve banks, their Boards of Governors are not selected through a process of democracy. Elections are supposed to have consequences, but neither Congress nor the President has any role in selecting most of these directors. Instead, they are selected by the banks. In what way should we have governmental power vested that way?

Then, we have the Financial Accounting Standards Board, which claims not to even be part of the government and, therefore, doesn't claim to be responsible to the voters of this country. Yet, it collects taxes and writes, in effect, accounting laws.

Finally, we have a forum-shopping system that allows a bank to have a holding company, not have a holding company, be State regulated, be Federal regulated, and pit one regulatory group up against another.

Many countries have had, for long periods of their history, zombie banks, where the government thinks it is best to hide the losses of the bank, and somehow, the economy can go on. It works for a while some of the time.

Unfortunately, we have a similar system here. We have a system where losses on bonds are not recognized by the bank and often not even looked at adequately by the regulators, but losses on Main Street loans are recognized before they occur, even if they do not occur, on an anticipated basis.

A bank whose bonds have gone up in value can classify those bonds as available for sale and recognize a profit. If the bonds have gone down in value, they just classify them as not available

for sale but to be held to maturity, a mere bookkeeping entry, and they don't have to recognize the losses.

Our banking system has \$600 billion, at least, of unrecognized losses where we are hiding the losses in the footnotes. Our regulators don't regularly look at this.

We have had stress tests where they looked for a number of stresses, but not the stress that interest rates will go up and bonds will go down in market value. That is like having a stress test on a building where you test it for a flood and don't bother to test it for an earthquake.

We need stress tests that look at the most obvious stress that banks will always have. Interest rates can go up; interest rates can go down. Regulators know that. They have chosen to hide it from themselves.

The FDIC insures deposits only up to \$250,000. That is a major increase from where it was 15 years ago. We might want to go higher, but if we do, we should limit that additional insurance to non-interest-bearing accounts.

When businesses are using the bank as a payment system, as a utility, when businesses instead want to invest \$1 million, \$2 million, \$3 million of their money, they have a responsibility for finding an investment vehicle, whether it be a bank or otherwise, that is sound.

We have to prohibit the exclusive banking relationships where companies were told by Silicon Valley Bank: "You must have all your spare cash in our bank, which means we, the bank, take a risk on you, but you have to bet your whole company that our bank will survive." We need companies to diversify their deposits.

Finally, cryptocurrency should not be listed on the balance sheets of any bank. It is simply way too speculative.

I look forward to working for a better banking system. My fear is that, like the losses on bonds, we will simply put under the carpet the losses and problems, go on saying we will patch it together, and not tell the American people that there are fundamental problems that should be addressed.

CALLING ATTENTION TO HIGHER EDUCATION PROBLEMS

The SPEAKER pro tempore (Mrs. MILLER-MEEKS). The Chair recognizes the gentleman from Wisconsin (Mr. GROTHMAN) for 5 minutes.

Mr. GROTHMAN. Madam Speaker, we have many problems today in higher education, one of which is the excessive kind of anti-God, liberal approach, leftwing approach, I will say, of the faculty in general, which, of course, flops over to the students. Some of it should be addressed, and we should try to get back to some sort of balance in higher education.

America is very divided today: about 50 percent more conservative and about 50 percent more leftwing, more progressive. Hypothetically, the faculty at

America's colleges and universities ought to reflect that.

Instead, a recent trend is going to push things in the exact opposite direction, and that is the movement of colleges and universities, including the colleges and universities with the highest reputations in the country, to get rid of standardized tests.

What result will getting rid of standardized tests have on the type of people who are admitted to all of our colleges and universities, but particularly our elite colleges and universities? Right now, a standardized test is something you either do well on or don't. A lot of people are nervous about standardized tests, but in any event, some determination has to be made on how some people get into college and some people don't.

As we get rid of standardized tests, we are going to put more weight on things like an essay students submit to try to get into college. We are going to put more weight on extracurriculars or nonprofits that students work for. What effect is that going to have on the type of students who are admitted?

Given that these are subjective determinations, we know very well the professors or other people on the admissions committees will look at where you are doing your extracurriculars. Are you active in an evangelical church? Are you active in a conservative political party? Or are you active in more left-leaning nonprofit organizations?

They will look at your essay, which is purely a subjective determination. The danger is that these leftwing faculty members will say: Oh, this person doesn't look like he will fit in here. This person is a conservative. This person is a Christian.

As a result, this ought to be of great alarm to everyone. Not to mention, the scores you get on these tests do a good job of predicting how well you will do in school. As a result, it is going to lower the quality of students.

Already you hear from employers that college graduates are not as qualified, that their work ethic isn't as good as new employees they had 20 years ago. What will be the effect of removing these standards?

Furthermore, it is going to have a negative impact, I think, on people who come from backgrounds without as much money. You only have so much time before you go to college to put together your resume. If you need more money, if you have to work, say, 30 hours a week at the local McDonald's, you don't have time to put together the long resume that looks so good at college admissions.

Today or in the past, with standardized tests, the kid who has to work 30 hours a week at McDonald's and doesn't have time for a lot of do-gooder causes can do a great job on his standardized test and still get in. This penalizes the person who has to do a lot of work on the outside and rewards the student who doesn't have to make any money on the side in high school.